



CALIFORNIA Economic Indicators

September-October 2008

More Bad News

More disappointment from employment and construction reports in September

■ REVIEW OF RECENT ECONOMIC DEVELOPMENTS

September brought unwelcome news for the California economy. New home construction plunged to its lowest level on record. Existing home prices took a substantial hit, despite an uptick in sales. Nonresidential construction also softened, to its weakest pace since early 2005. Industry employment declined for the seventh consecutive month and the unemployment rate remained elevated.

EMPLOYMENT

Industry employment losses accelerate

California dropped 11,600 nonfarm jobs in September, following a revised loss of 12,700 jobs in August. Job losses have accelerated as the year progressed. In the first five months of the year, the average monthly loss was 5,200 jobs, while in the last four months, it was 13,200 jobs.

Five of the state's eleven major industry sectors gained jobs in September. Information added 2,300 jobs; educational and health services, 2,000; manufacturing, 1,400; leisure and hospitality, 1,400; and natural resources and mining, 100.

Six sectors lost jobs. Trade, transportation, and utilities lost 6,300 jobs; construction, 4,000; government, 3,400; financial activities, 3,300; professional and business services, 1,000; and other services, 800. Retail trade, the biggest component of the trade, transportation, and utilities major industry sector, lost 3,500 jobs in September—its eighth consecutive monthly loss.

Housing-related industries continued to place a drag on California labor markets. Nonfarm payroll employment fell by 77,200 jobs from September 2007 to September 2008. Over the year, employment fell by 76,700 in construction; 35,800 in trade, transportation, and utilities; 31,400 in financial activities; 25,200 in manufacturing; and 6,800 in information.

Six sectors gained jobs. Employment rose 48,100 in educational and health services; 26,200 in government; 11,600 in professional and business services; 11,100 in leisure and hospitality; 1,100 in natural resources and mining; and 600 in other services.

Unemployment rate rises in August

California's unemployment rate rose to 7.7 percent in August, up from 7.4 percent in July and up from 5.5 percent a year earlier. The 2.2-percentage point increase from August 2007 to August 2008 was the largest year-over-year increase since

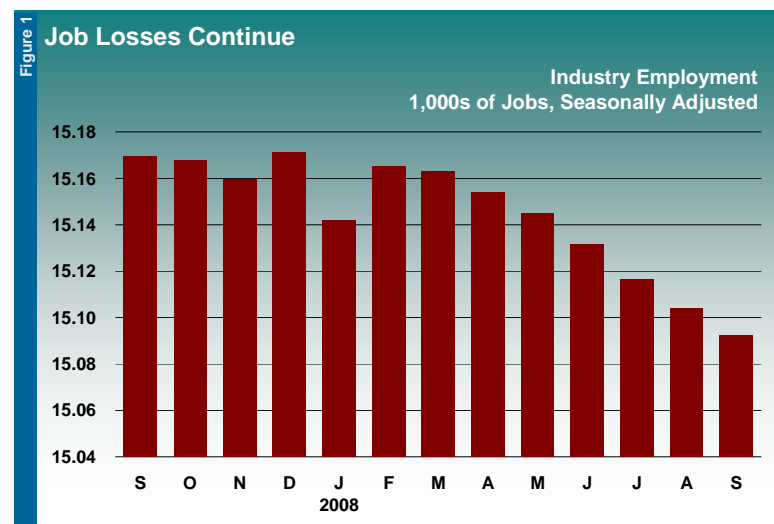
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California job losses accelerated during second half of 2008

July 1991. However, as much as a third of that jump may have been due to the U.S. Bureau of Labor Statistics' practice—adopted in January 2005—of adjusting state unemployment estimates so that they add up to the national estimate. This "benchmarking" of states' unemployment estimates has resulted in a huge increase in the variability of California's unemployment statistics. California's unemployment rate held steady at 7.7 percent in September. The national unemployment rate was 6.1 percent in September, also unchanged from August.

BUILDING ACTIVITY

Historic low for home building

Home building slowed for the fourth consecutive month in September. With residential permits issued at a seasonally adjusted annual rate of 53,700 units, September was the slowest month for construction permitting according to data that reaches back to 1973. New home permitting during the first nine months of 2008 was down 38 percent from the same months of 2007.

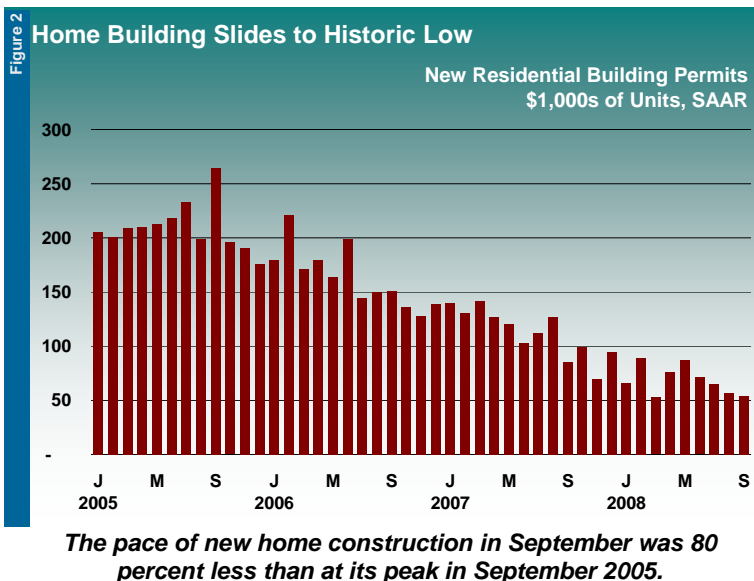
Nonresidential construction weakens also

Nonresidential construction slowed significantly for the second consecutive month in September. The pace of permit issuances during August and September was 23 percent below the same months of 2007. September was the weakest month of permitting since March 2005. The slowdown was led by major reductions in industrial and office construction. For the first nine months of 2008 as a whole, nonresidential permitting was down nearly 8 percent from the same months of 2007.

REAL ESTATE

Distressed mortgages boost home sales

Sales of existing homes continued to improve, but since it was likely boosted by sales of distressed houses, the median price took another significant tumble. Sales of existing, single-family detached homes totaled 502,190 units at a seasonally adjusted annualized rate. The inventory of homes available for sale improved slightly in September, according to the California Association of Realtors. The median price of existing, single-family homes sold in September was \$316,480, down 9 percent from August and down 41 percent from a year earlier. Part of this decline is most likely due to a shift in the mix of sales from expensive to more moderately priced homes.



REGIONAL MORTGAGE DATA

The Federal Reserve Bank of New York uses dynamic maps to present regional mortgage data¹ (www.newyorkfed.org). This information can be used to compare California's troubles to the rest of the nation. County-level data are also available that provides a regional perspective on the state's situation.

Two general conclusions emerge from a quick review of this information. First, California was one of the states hardest hit by the subprime loan-induced real estate crisis. Due to the state's high home prices, California saw an above-average use of non-conventional mortgage instruments, including subprime, Alt-A, and adjustable rate loans. The proportion of troubled subprime mortgages in California was second only to Florida. Second, within California the financial problems are not evenly spread around the state. The inland, less affluent regions appear to have suffered the most from the real estate downturn.

THE NATIONAL PICTURE

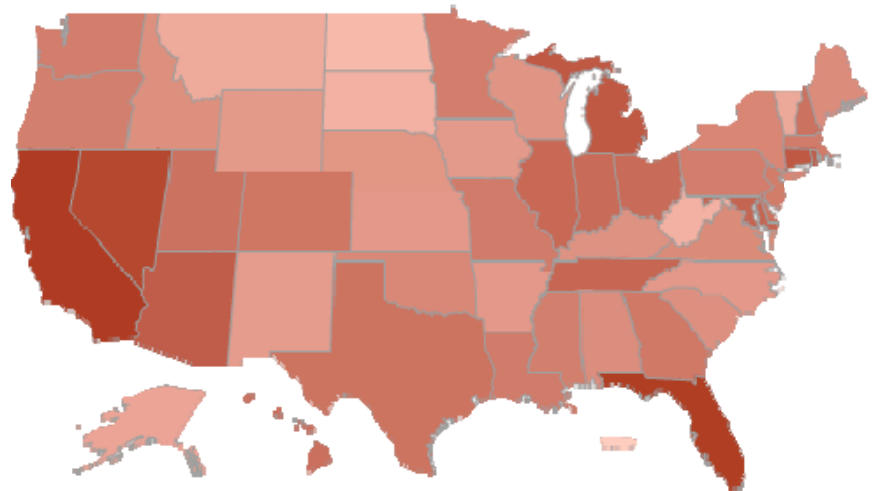
According to data for September 2008, California was at the forefront of the nation's real estate finance troubles. The state led the nation in the use of subprime mortgages. For every 1,000 housing units, there were 30.8 owner-occupied subprime loans in existence. Florida nearly tied California with 30.6. Nevada wasn't far behind at 28.8. At the other end of the spectrum was Puerto Rico with zero per 1,000, North Dakota with 5.0; and South Dakota and West Virginia with 7.0.

The principal reason behind rising mortgages troubles was falling home prices. The steepest declines in single-family home prices in the third quarter of 2008 occurred in three California metropolitan areas, according to the National Association of Realtors. In the Riverside-San Bernardino-Ontario area the median sales price of existing single family homes (\$227,200) dropped 39.4 percent from a year earlier; Sacramento-Arden-Arcade-Roseville (\$212,000), 36.8 percent; and San Diego-Carlsbad-San Marcos (\$377,300), 36.0 percent. The average year-over-year drop in all eight California major metropolitan areas was 32.0 percent. In contrast, the average drop across 12 Florida metropolitan areas was 16.2 percent. Nationally, the median fell 9.0 percent.

It is not surprising then, that California would suffer one of the highest foreclosure rates. In September 2008, lenders had initiated, but not completed, foreclosure proceedings on 4.2 owner-occupied homes financed with subprime loans for every 1,000 existing housing units. Only Florida fared worse than California in this measure, with 6.9 units per 1,000.

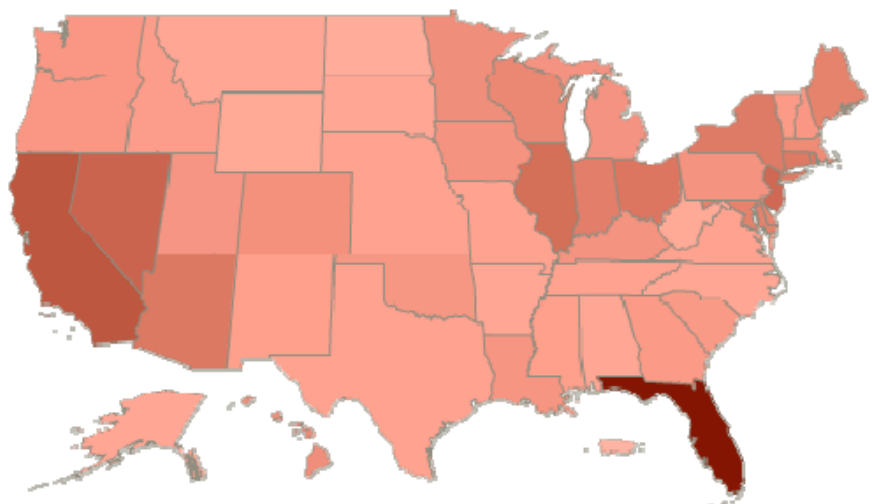
Subprime Loans per 1,000 Housing Units

(Darker shades represent higher shares)



Subprime Loans in Foreclosure per 1,000 Housing Units

(Darker shades represent higher shares)



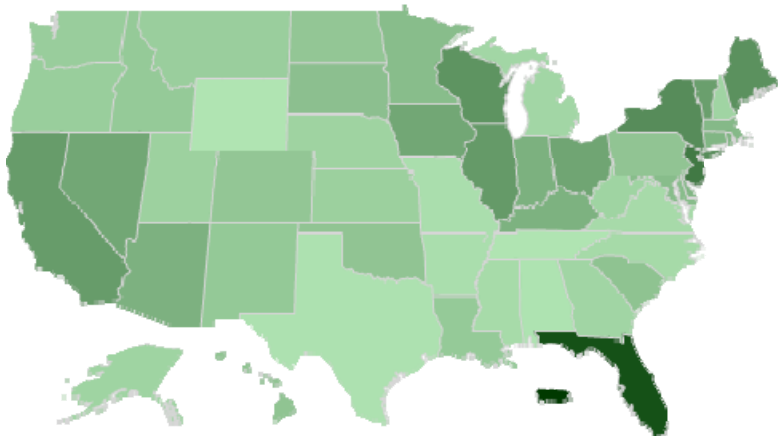
¹ Data source: FirstAmerican CoreLogic.

As for foreclosures among subprime borrowers, however, the state hasn't suffered as much as other areas. In California, 13.5 percent of subprime loans were in the foreclosure process in September 2008. Several other states fared worse, including Florida (22.5 percent), New Jersey (18.0 percent), New York (15.6 percent), Maine (15 percent), Wisconsin (14.6 percent), and Illinois (13.9 percent).

One likely explanation for California's relatively better reading is that the pace of home sales rebounded more strongly here. This probably means that homes with troubled loans have been resold at a quicker pace. During the second quarter of 2008, home sales in California were up over 58 percent from a year earlier. Other states with moderate subprime foreclosure rates also experienced stronger-than-average sales rebounds. Home sales in Nevada were up 76 percent and its foreclosure share was only 12 percent. Likewise, sales in Arizona were up 49 percent and its foreclosure share was only 11 percent.

On the other side, home sales were still deteriorating in states with high foreclosure rates. Home sales in Florida in the second quarter of 2008 dropped nearly 1 percent from a year earlier. Sales in New Jersey were down 12 percent; in New York, 9 percent; in Maine, 22 percent; in Wisconsin, 17 percent; and in Illinois, 22 percent.

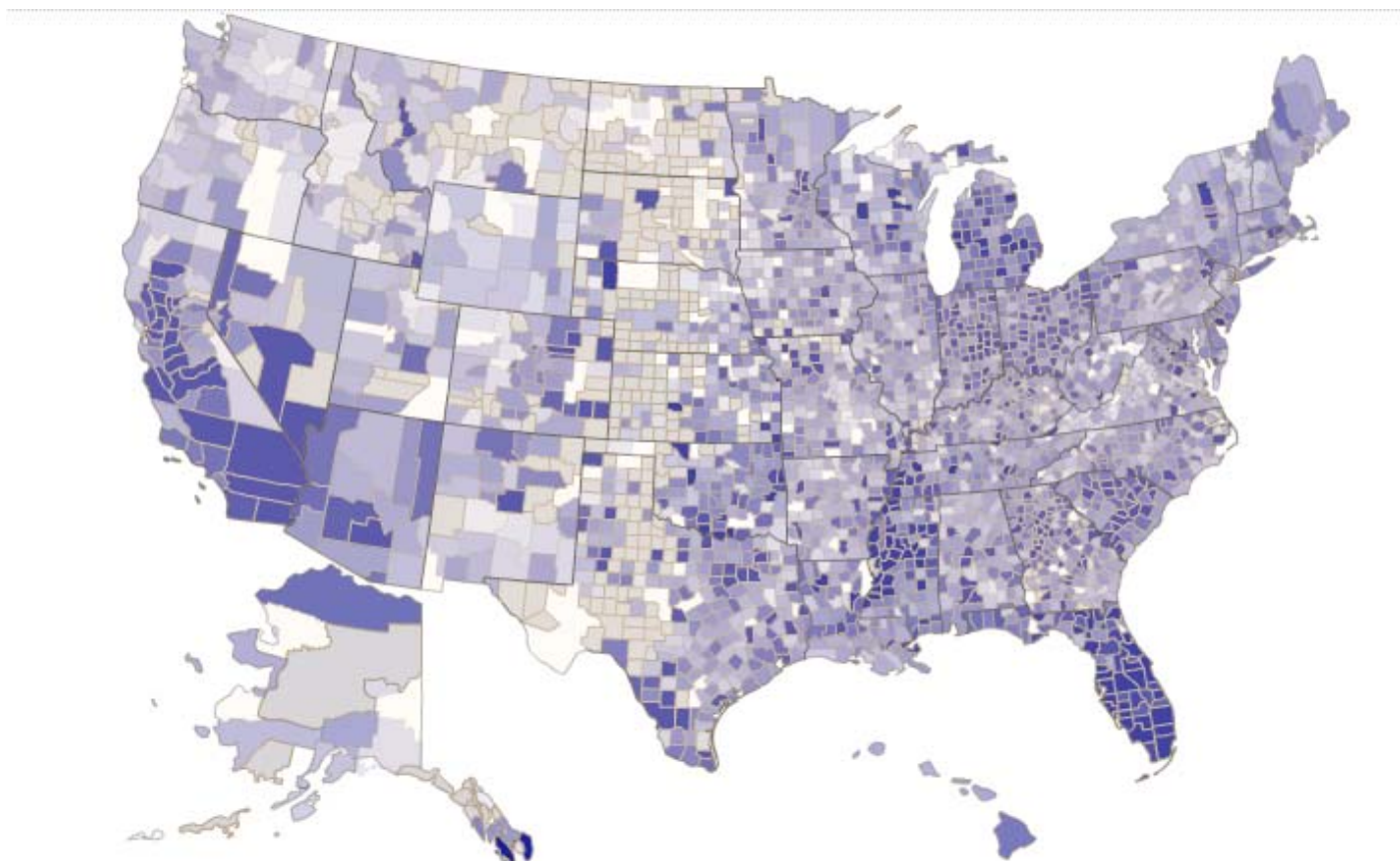
Share of Subprime Loans in Foreclosure
(Darker shades represent higher shares)



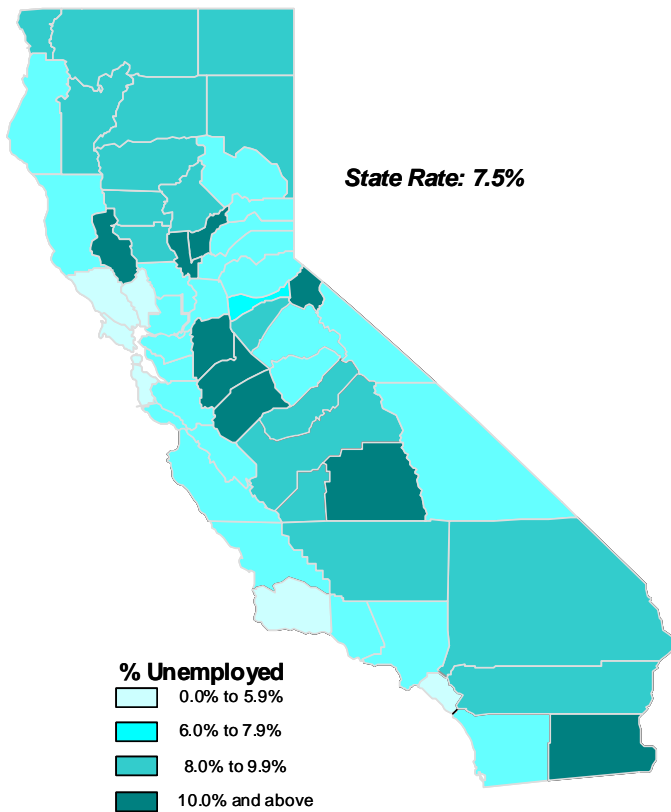
REGIONAL PATTERNS

The Federal Reserve Bank of New York's dynamic maps also provide county-level information about mortgage delinquencies during the second quarter of 2008. The delinquency rate is the percentage of secured mortgage loans delinquent for more than 90 days where the loan is not in foreclosure nor has the lender taken legal title to the property through foreclosure or title transfer.

Share of Mortgages 90+ Days Delinquent
Second Quarter of 2008
(Darker shades represent higher shares)

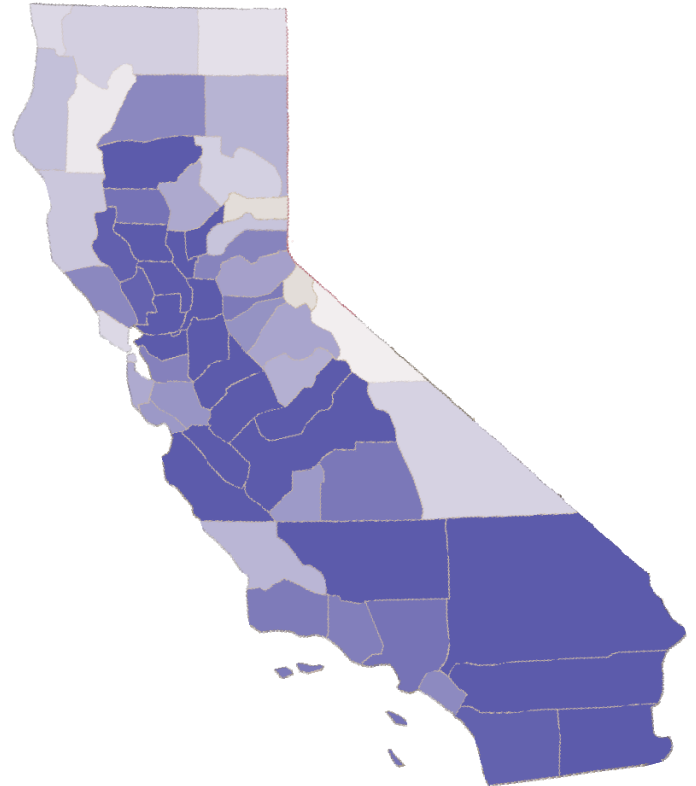


Unemployment Rates
September 2008, Not Seasonally Adjusted



Source: California Employment Development Dept.

Share of Mortgages 90+ Days Delinquent
Second Quarter of 2008
(Darker shades represent higher shares)



Before real estate markets peaked in 2005, it was often noted that the California and national economies were exceptionally dependent on a booming housing market. A disproportionate share of job growth in 2004 and 2005 came from housing-related sectors. Moreover, much of the housing market's strength was based upon a dangerous overreliance on loans with questionable security. According to the California Association of Realtors, in 2006, over 21 percent of home buyers used zero-down financing (including two out of five first-time home buyers). This share was only 4.5 percent in 2000.

It is not surprising that the distribution of distressed mortgages throughout California generally corresponds to current regional economic conditions. Regionally, California's real estate boom was a lopsided affair. The state's inland regions, including the Inland Empire (Riverside and San Bernardino counties), the Central Valley, and Sacramento, saw the most dramatic home price gains during this period. These gains, however, weren't supported by adequate economic growth. Thus, when the bubble burst, this is where the collapse was most dramatic.

The presence of distressed mortgages appears well correlated with weak employment conditions. The ratio of troubled mortgages in the second quarter of 2008 ranged from a low of 0.66 percent in Mono County to a high of 7.96 percent in San Joaquin County. Most of the counties with the highest ratio of troubled mortgages in the second quarter of 2008 also suffered some of state's highest unemployment rates in September 2008. For the seven counties with the highest ratios of troubled mortgages, the overall unemployment rate was 9.5 percent, well above the statewide rate of 7.5 percent. The unemployment rate in the eleven counties with a troubled mortgage rate below 2 percent was only 5.9 percent.

Select Indicators

	2007	2008				Year-Over
	Sep	Jun	Jul	Aug	Sep	% Change
EMPLOYMENT (Seasonally adjusted)						
Civilian employment (000)	17,217	17,150	17,053	16,994	17,067	-0.9%
Unemployment (000)	1,027	1,282	1,356	1,421	1,425	38.7%
Unemployment rate	5.6	7.0	7.4	7.7	7.7	--
Nonagricultural wage and salary employment (000) a/	15,169.6	15,131.7	15,116.7	15,104.0	15,092.4	-0.5%
Goods-producing industries	2,363.5	2,279.3	2,272.7	2,265.2	2,262.7	-4.3%
Natural resources and mining	25.8	27.0	26.8	26.8	26.9	4.3%
Construction	881.1	815.3	813.0	808.4	804.4	-8.7%
Manufacturing	1,456.6	1,437.0	1,432.9	1,430.0	1,431.4	-1.7%
Service-providing industries	12,806.1	12,852.4	12,844.0	12,838.8	12,829.7	0.2%
Trade, transportation, and utilities	2,919.1	2,898.8	2,901.5	2,889.6	2,883.3	-1.2%
Information	481.7	468.5	463.1	472.6	474.9	-1.4%
Financial activities	896.2	876.2	872.1	868.1	864.8	-3.5%
Professional and business services	2,262.1	2,276.4	2,274.9	2,274.7	2,273.7	0.5%
Educational and health services	1,674.9	1,715.1	1,718.1	1,721.0	1,723.0	2.9%
Leisure and hospitality	1,553.1	1,567.0	1,564.3	1,562.8	1,564.2	0.7%
Other services	514.9	516.6	517.0	516.3	515.5	0.1%
Government	2,504.1	2,533.8	2,533.0	2,533.7	2,530.3	1.0%
Federal government	246.1	248.6	249.4	248.4	247.1	0.4%
State and local government	2,258.0	2,285.2	2,283.6	2,285.3	2,283.2	1.1%
High-technology industries b/	868.9	873.7	874.0	874.0	872.5	0.4%
Computer and electronic products manufacturing	305.2	305.9	305.8	305.4	305.0	-0.1%
Aerospace products and parts manufacturing	71.8	71.0	71.1	71.3	71.2	-0.8%
Software publishers	43.6	43.8	43.7	44.0	43.9	0.7%
Telecommunications	121.2	121.2	120.8	120.9	120.4	-0.7%
Internet service providers	21.6	20.6	21.1	21.1	20.9	-3.2%
Computer systems design	199.6	203.3	203.1	203.0	202.9	1.7%
Scientific research and development	105.9	107.9	108.4	108.3	108.2	2.2%
HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)						
Average weekly hours	40.9	40.8	40.7	40.7	40.6	-0.7%
Average weekly earnings	\$666.26	\$677.28	\$676.43	\$676.03	\$680.46	2.1%
Average hourly earnings	\$16.29	\$16.60	\$16.62	\$16.61	\$16.76	2.9%
CONSUMER PRICE INDEX (1982-84=100) (Not seasonally adjusted)						
All Urban Consumers Series						
California Average	NA	228.3	NA	228.0	NA	--
San Francisco CMSA	NA	225.2	NA	225.4	NA	--
Los Angeles CMSA	217.7	229.0	229.9	228.5	227.4	4.5%
Urban Wage Earners and Clerical Workers Series						
California Average	NA	221.8	NA	220.9	NA	--
San Francisco CMSA	NA	221.5	NA	221.4	NA	--
Los Angeles CMSA	209.8	222.4	223.2	221.2	220.3	5.0%
CONSTRUCTION						
Private residential housing units authorized (000) c/	85	71	65	57	52	-39.2%
Single units	48	42	34	28	29	-39.3%
Multiple units	37	29	31	29	23	-39.2%
Residential building authorized valuation (millions) d/	\$24,871	\$20,347	\$18,535	\$16,135	\$15,769	-36.6%
Nonresidential building authorized valuation (millions) d/	\$23,587	\$19,747	\$20,172	\$18,278	\$16,736	-29.0%
Nonresidential building authorized valuation (millions) e/	\$1,805	\$1,917	\$1,794	\$1,592	\$1,425	-21.1%
Commercial	707	800	611	559	454	-35.8%
Industrial	139	113	49	89	22	-84.2%
Other	290	336	259	275	266	-8.2%
Alterations and additions	669	667	875	669	684	2.1%
AUTO SALES (Seasonally adjusted)						
New auto registrations (number)	128,526	120,689	135,838	95,673	NA	--
a/ The wage and salary employment information is based on the new North American Industry Classification System (NAICS).						
b/ Not seasonally adjusted						
c/ Seasonally adjusted at annual rate						
d/ Seasonally adjusted						
e/ Not seasonally adjusted						
NA Not available						

Select Indicators (continued)

VACANCY RATES FOR THIRD QUARTER 2008											
(Percent)											
		Office			Office		Office		Industrial		
		Downtown			Suburban		Metropolitan				
		3Q08	3Q07		3Q08	3Q07	3Q08	3Q07	3Q08	3Q07	
Northern and Central California:											
Oakland		11.9	10.1		13.4	11.5	13.1	11.2	NA	NA	
Sacramento		12.6	12.8		16.9	13.4	16.0	13.3	10.3	9.9	
San Francisco		10.4	8.2		12.4	9.1	11.1	8.5	10.9	10.4	
San Jose		18.0	13.2		12.9	9.2	14.1	10.1	NA	NA	
Southern California:											
Los Angeles Metro		13.1	13.4		9.7	8.4	10.2	9.1	9.6	7.7	
Orange County		NA	NA		17.4	11.5	17.4	11.5	10.7	5.9	
San Diego		13.8	12.8		17.8	11.9	17.1	12.0	10.5	10.5	
Ventura County		NA	NA		18.4	12.4	18.4	12.4	NA	NA	
National Average		10.9	10.3		15.8	13.9	14.1	12.6	11.4	9.9	
					FOREIGN TRADE THROUGH CALIFORNIA PORTS		DOD PRIME CONTRACTS a/				
SALES OF EXISTING SINGLE-FAMILY HOMES					Exports	Imports					
		Median Price	Units (SAAR)		(\$ millions)			\$ millions		% of U.S.	
2004	Jan	\$404,463	615,659		\$9,062	\$19,996	1993-94	22,573		20.5%	
	Feb	391,550	589,220		9,536	18,011	1994-95	18,277		16.8%	
	Mar	428,060	590,220		11,420	22,589	1995-96	18,230		16.7%	
	Apr	452,680	640,710		10,249	21,722	1996-97	18,477		17.3%	
	May	463,320	632,380		10,460	21,760	1997-98	17,401		15.9%	
	Jun	468,050	633,660		10,481	23,971	1998-99	17,372		15.1%	
	Jul	462,145	639,910		10,388	24,162	1999-00	18,100		14.7%	
	Aug	473,520	591,150		10,118	24,127	2000-01	19,939		14.7%	
	Sep	463,630	626,210		10,446	23,974	2001-02	23,816		15.0%	
	Oct	459,530	639,571		10,460	25,279	2002-03	28,681		15.0%	
	Nov	471,980	652,340		9,792	25,769	2003-04	27,875		13.7%	
	Dec	474,270	645,860		10,628	22,863	2004-05	31,065		13.1%	
2005	Jan	\$484,580	659,410		\$9,405	\$22,776					
	Feb	470,920	608,160		9,756	21,738					
	Mar	496,550	634,700		11,390	23,735					
	Apr	509,630	658,060		10,356	24,337					
	May	522,590	618,920		10,882	24,774					
	Jun	542,330	656,310		11,108	26,153					
	Jul	539,840	647,910		10,828	26,452					
	Aug	567,320	632,240		11,166	26,452					
	Sep	543,510	650,780		10,825	28,012					
	Oct	538,770	621,530		11,371	28,847					
	Nov	548,680	579,560		11,194	27,030					
	Dec	547,400	531,910		11,709	26,024					
2006	Jan	\$549,460	500,470		\$10,848	\$25,555					
	Feb	534,400	513,740		10,791	23,004					
	Mar	562,130	539,170		13,336	27,722					
	Apr	562,380	516,960		11,991	27,005					
	May	563,860	488,260		12,306	28,090					
	Jun	575,850	483,690		12,664	29,621					
	Jul	567,860	453,980		12,255	29,990					
	Aug	577,300	442,150		12,720	31,550					
	Sep	557,150	444,780		12,567	30,608					
	Oct	552,020	443,320		12,913	32,200					
	Nov	554,500	450,930		12,676	29,747					
	Dec	569,350	452,060		12,756	28,396					
2007	Jan	\$551,220	446,820		\$12,325	\$28,025					
	Feb	554,280	480,170		11,717	26,183					
	Mar	582,930	422,300		13,954	27,815					
	Apr	594,110	357,460		12,360	28,049					
	May	594,530	358,640		13,283	28,734					
	Jun	591,280	357,890		13,864	29,961					
	Jul	587,560	341,130		12,837	30,537					
	Aug	588,670	313,310		13,527	31,206					
	Sep	535,760	255,340		13,375	30,962					
	Oct	497,110	265,030		14,511	33,415					
	Nov	489,570	287,600		13,483	31,767					
	Dec	476,380	301,040		14,313	29,615					
2008	Jan	\$429,790	313,580		\$13,016	\$28,280					
	Feb	419,640	343,220		13,664	27,306					
	Mar	414,640	318,830		14,868	27,996					
	Apr	403,870	366,720		14,308	29,907					
	May	384,840	423,700		15,023	30,640					
	Jun	367,130	424,180		15,800	31,269					
	Jul	350,890	489,080		15,992	33,976					
	Aug	350,140	490,850		15,206	31,892					
	Sep	316,480	502,190		NA	NA					
a/ U.S. fiscal year: October through September					NA Not available						

Leading Indicators ^{a/}

		Manufacturing		Unemployment	New	Housing Unit
		Overtime	Average	Insurance	Business	Authorizations
		Hours	Weekly Hours	Claims	Incorporations	(Thousands)
2004	Jan	4.0	40.0	50,262	8,161	205.8
	Feb	3.9	40.2	50,215	8,596	205.6
	Mar	4.2	40.2	48,845	8,347	210.7
	Apr	4.4	39.9	48,663	8,462	201.8
	May	4.4	40.4	46,437	8,030	204.9
	Jun	4.2	39.9	49,581	8,837	209.3
	Jul	4.4	40.1	48,549	8,636	197.7
	Aug	4.2	40.1	47,823	8,289	215.6
	Sep	4.1	39.3	47,338	8,778	213.2
	Oct	4.2	39.7	47,295	8,130	214.2
	Nov	4.4	39.9	47,341	9,020	236.9
	Dec	4.5	39.9	48,188	9,012	227.3
2005	Jan	4.5	40.2	50,011	5,926	205.5
	Feb	4.5	40.0	46,613	8,977	201.2
	Mar	4.4	40.0	45,084	9,131	209.1
	Apr	4.5	40.0	43,844	9,560	209.8
	May	4.3	40.0	43,211	9,425	212.6
	Jun	4.3	39.6	42,341	9,282	218.3
	Jul	4.3	39.8	41,141	9,189	233.4
	Aug	4.7	39.9	41,131	9,118	198.7
	Sep	4.5	40.0	41,437	9,221	264.3
	Oct	4.4	40.5	39,984	8,740	195.8
	Nov	4.3	39.9	39,978	9,072	190.6
	Dec	4.2	39.4	41,352	9,088	175.8
2006	Jan	4.3	40.2	41,651	9,044	179.3
	Feb	4.5	40.3	38,711	8,699	221.5
	Mar	4.4	40.1	42,336	9,405	171.7
	Apr	4.3	40.2	43,184	8,519	179.8
	May	4.4	40.2	42,531	9,356	164.4
	Jun	4.4	40.4	40,533	8,579	198.7
	Jul	4.3	40.4	42,662	8,417	144.2
	Aug	4.1	40.1	42,949	8,981	150.5
	Sep	4.0	40.2	42,154	8,646	151.3
	Oct	4.2	40.5	42,070	9,070	135.7
	Nov	4.1	40.3	43,305	9,063	128.2
	Dec	4.2	40.8	45,290	8,772	139.1
2007	Jan	4.1	40.5	42,735	9,099	139.6
	Feb	3.9	40.2	42,805	8,890	130.9
	Mar	3.9	40.3	43,454	8,513	141.8
	Apr	3.9	40.5	43,033	8,429	126.7
	May	4.1	40.5	44,729	8,548	120.6
	Jun	4.1	40.6	45,168	8,821	102.6
	Jul	4.0	40.8	45,494	8,705	112.5
	Aug	4.1	40.7	46,201	9,284	127.0
	Sep	4.1	40.7	46,601	8,560	85.0
	Oct	4.1	40.6	49,039	9,091	99.3
	Nov	3.9	40.6	48,732	9,320	69.4
	Dec	3.8	40.4	49,154	8,385	94.5
2008	Jan	3.8	40.4	50,132	7,877	66.0
	Feb	3.9	40.7	47,190	8,805	89.5
	Mar	4.0	40.9	50,184	7,430	52.7
	Apr	4.2	41.2	51,874	8,677	75.9
	May	3.8	40.8	51,928	8,081	87.1
	Jun	3.9	40.7	54,387	7,962	71.1
	Jul	4.0	40.9	60,609	8,128	65.0
	Aug	3.9	40.5	63,198	6,953	57.3
	Sep	3.9	40.4	62,757	7,857	51.7
a/ Seasonally adjusted by the California Department of Finance.						

Coincident Indicators ^{a/}

		Nonagricultural	Manufacturing	Unemployment	Unemployment
		Employment	Employment	Rate	Avg. Weeks Claimed
		(Thousands)	(Thousands)	(Percent)	(Thousands)
2004	Jan	14,429	1,537	6.6	450
	Feb	14,445	1,534	6.5	441
	Mar	14,461	1,534	6.5	440
	Apr	14,481	1,537	6.4	436
	May	14,502	1,538	6.4	426
	Jun	14,503	1,534	6.3	436
	Jul	14,568	1,545	6.2	408
	Aug	14,549	1,536	6.1	418
	Sep	14,547	1,530	6.1	421
	Oct	14,616	1,528	6.0	401
	Nov	14,636	1,525	5.9	399
	Dec	14,626	1,520	5.9	402
2005	Jan	14,651	1,524	5.9	400
	Feb	14,685	1,520	5.7	393
	Mar	14,695	1,515	5.5	385
	Apr	14,747	1,517	5.5	371
	May	14,739	1,512	5.5	366
	Jun	14,750	1,510	5.5	374
	Jul	14,808	1,519	5.3	359
	Aug	14,840	1,514	5.3	360
	Sep	14,874	1,512	5.2	337
	Oct	14,895	1,512	5.2	345
	Nov	14,931	1,511	5.1	337
	Dec	14,953	1,509	5.1	325
2006	Jan	14,957	1,511	5.1	337
	Feb	14,999	1,511	4.9	335
	Mar	14,994	1,508	4.9	343
	Apr	14,984	1,503	5.0	358
	May	15,030	1,503	4.9	336
	Jun	15,060	1,501	4.9	335
	Jul	15,085	1,501	4.8	342
	Aug	15,110	1,499	4.9	339
	Sep	15,122	1,500	4.8	339
	Oct	15,162	1,506	4.8	342
	Nov	15,188	1,507	4.7	348
	Dec	15,213	1,507	4.8	348
2007	Jan	15,136	1,476	5.0	357
	Feb	15,159	1,473	5.0	358
	Mar	15,178	1,470	5.0	349
	Apr	15,139	1,466	5.2	359
	May	15,162	1,465	5.3	368
	Jun	15,172	1,464	5.3	353
	Jul	15,193	1,467	5.4	371
	Aug	15,182	1,459	5.5	372
	Sep	15,170	1,457	5.6	395
	Oct	15,168	1,457	5.7	401
	Nov	15,160	1,454	5.7	381
	Dec	15,171	1,452	5.9	427
2008	Jan	15,142	1,450	5.9	418
	Feb	15,165	1,447	5.7	408
	Mar	15,163	1,448	6.2	455
	Apr	15,154	1,446	6.2	476
	May	15,145	1,442	6.8	460
	Jun	15,132	1,437	7.0	465
	Jul	15,117	1,433	7.4	489
	Aug	15,104	1,430	7.7	515
	Sep	15,092	1,431	7.7	548
		Personal	Wages &		
		Income b/	Salaries b/	Taxable Sales c/	
		(\$ millions)	(\$ millions)	(\$ millions)	
2004	Qtr I	\$1,235,134	\$682,305	\$122,248	
	Qtr II	1,254,107	694,530	124,131	
	Qtr III	1,272,152	704,879	124,884	
	Qtr IV	1,302,488	714,168	128,541	
2005	Qtr I	\$1,306,682	\$718,796	\$128,097	
	Qtr II	1,326,949	727,834	133,749	
	Qtr III	1,357,686	745,753	137,374	
	Qtr IV	1,380,012	754,147	137,157	
2006	Qtr I	\$1,420,391	\$778,455	\$138,131	
	Qtr II	1,432,731	773,802	140,907	
	Qtr III	1,454,902	785,504	140,409	
	Qtr IV	1,473,240	798,945	140,098	
2007	Qtr I	\$1,491,280	\$813,746	\$142,376	
	Qtr II	1,510,395	821,086	142,108	
	Qtr III	1,529,991	828,135	137,801	
	Qtr IV	1,547,832	839,164	138,460	
2008	Qtr I	\$1,550,127	\$840,026	\$137,151	
	Qtr II	1,575,149	846,754	138,799	
a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.					
b/ Estimates by the U.S. Bureau of Economic Analysis					
c/ Taxable sales estimates for 2007:QIV through 2008:QII are preliminary.					

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

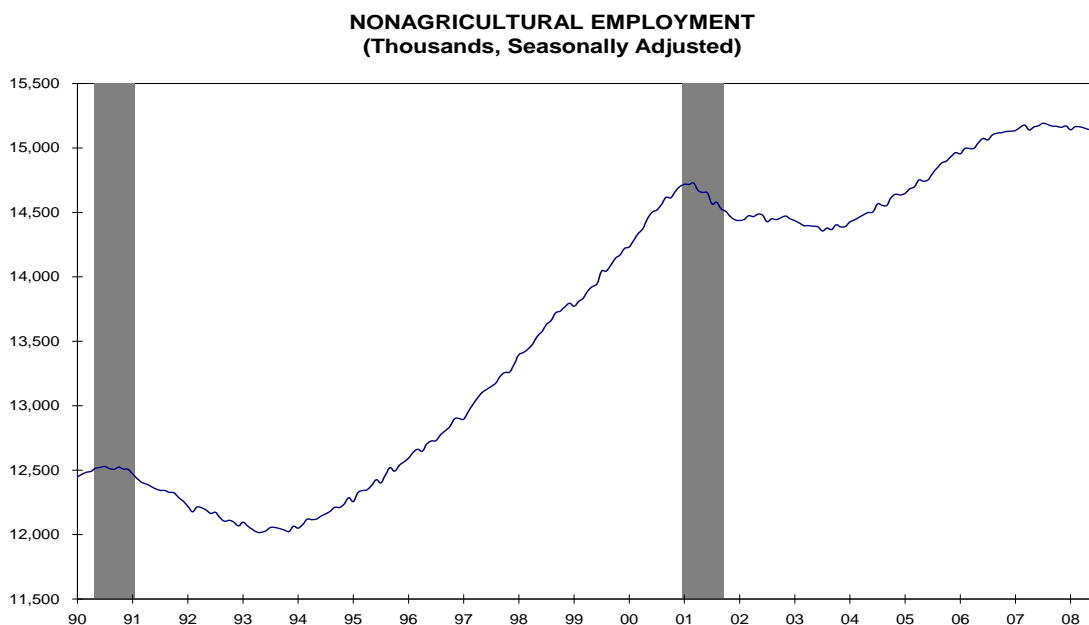
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-12 Arima program. Persons interested in a detailed description of this method are referred to the U.S. Census Bureau's Statistical Research Division.

Under the X-12 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

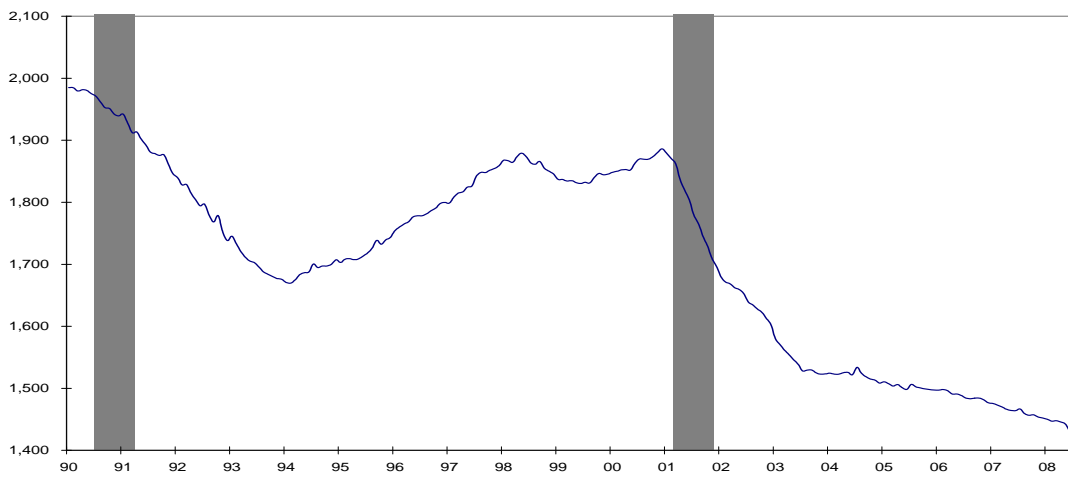
The manufacturing employment series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

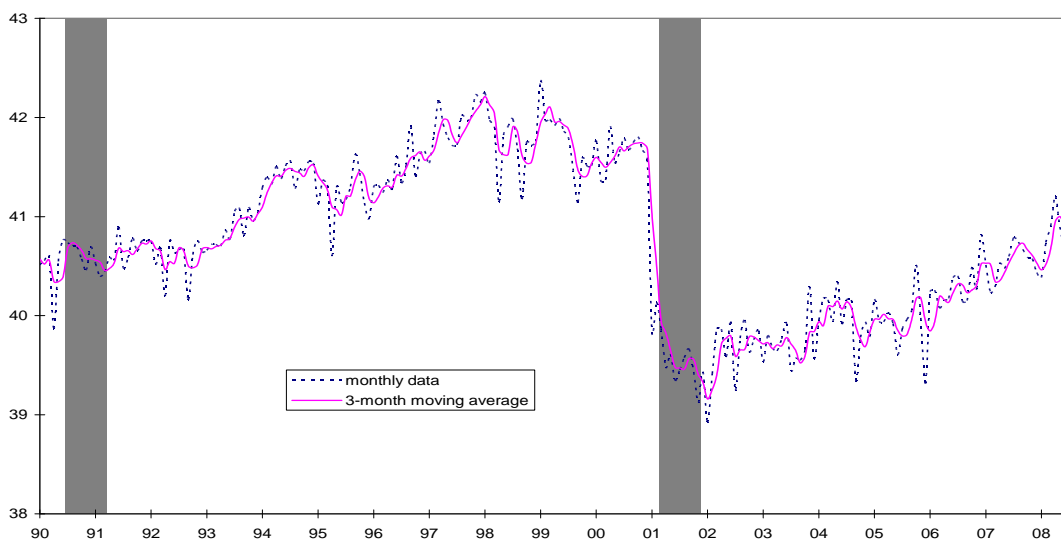
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



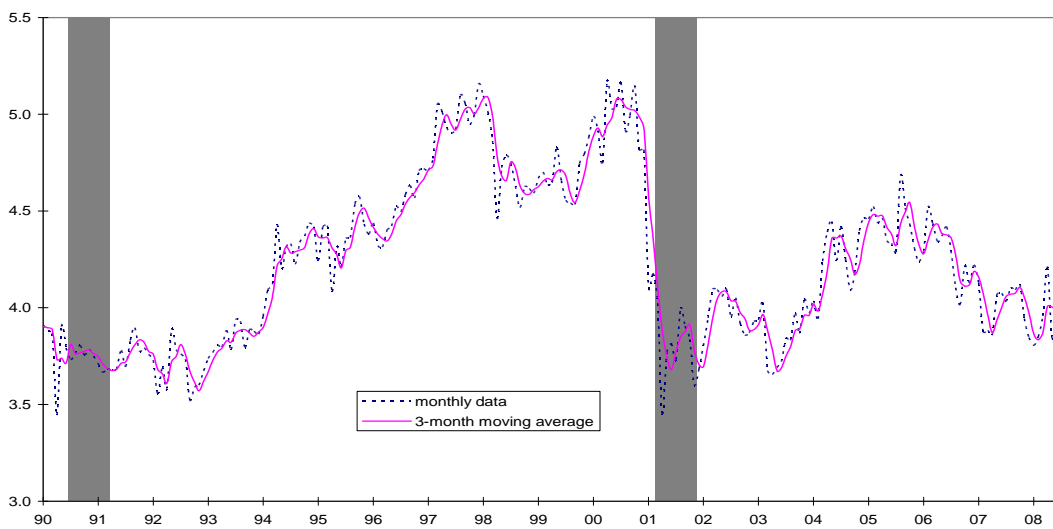
MANUFACTURING EMPLOYMENT
(Thousands, Seasonally Adjusted)



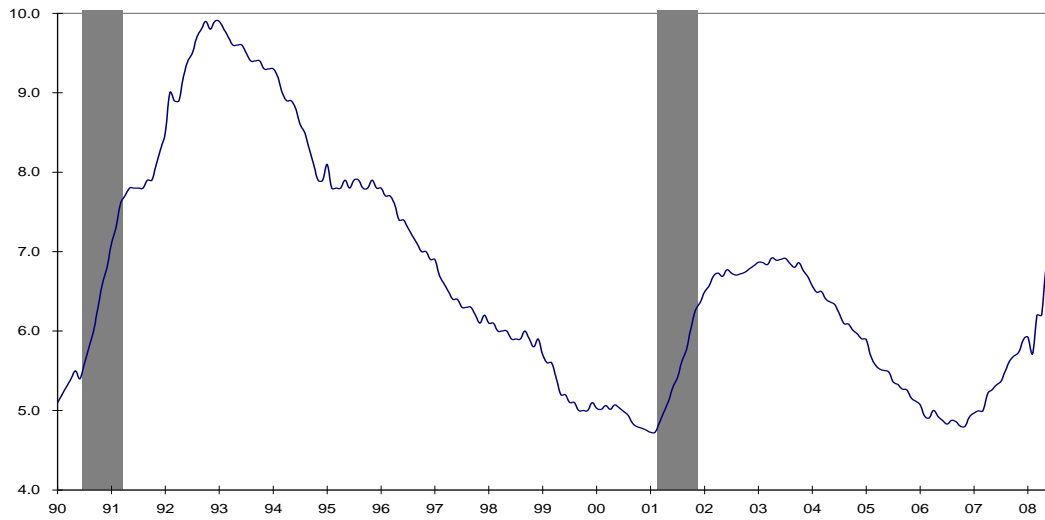
AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)



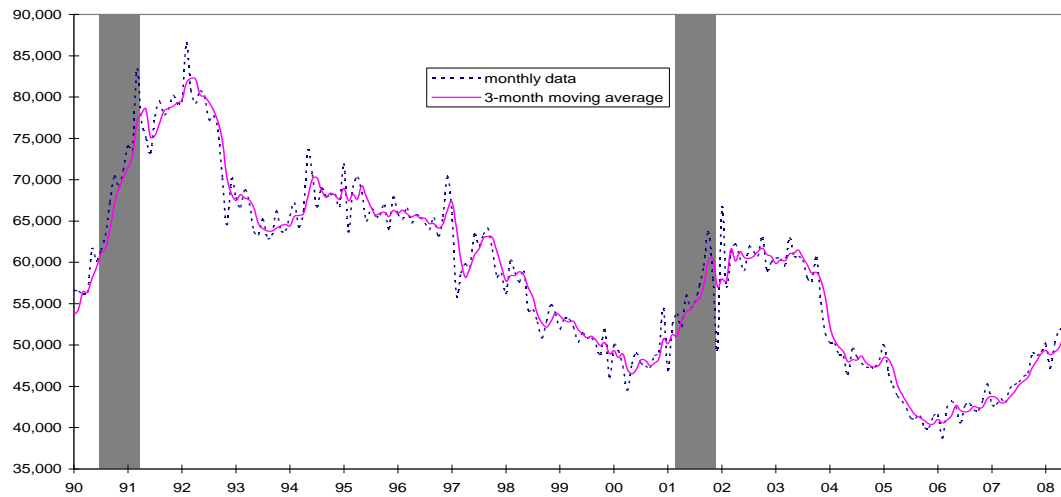
AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)



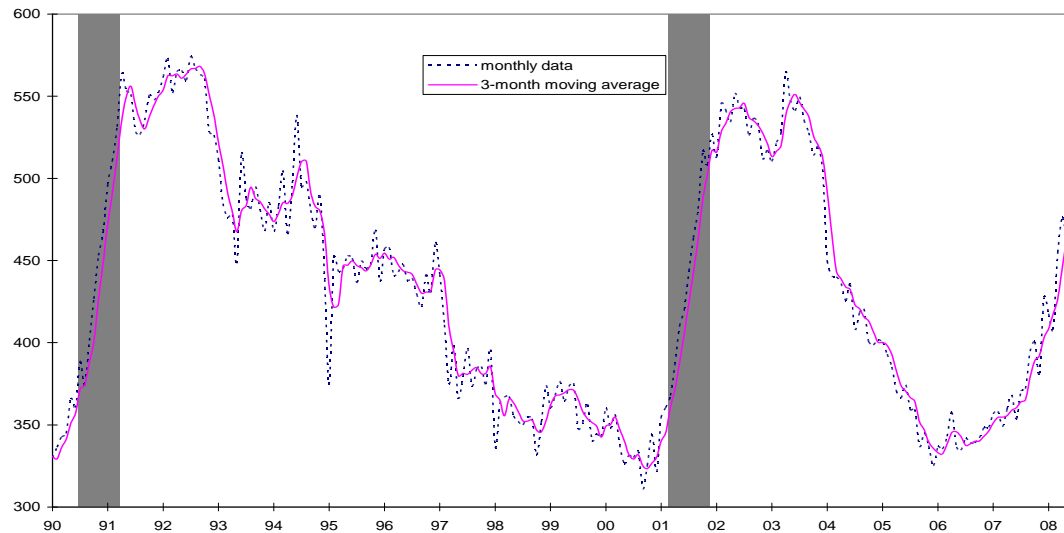
**UNEMPLOYMENT RATE
(Percent)**



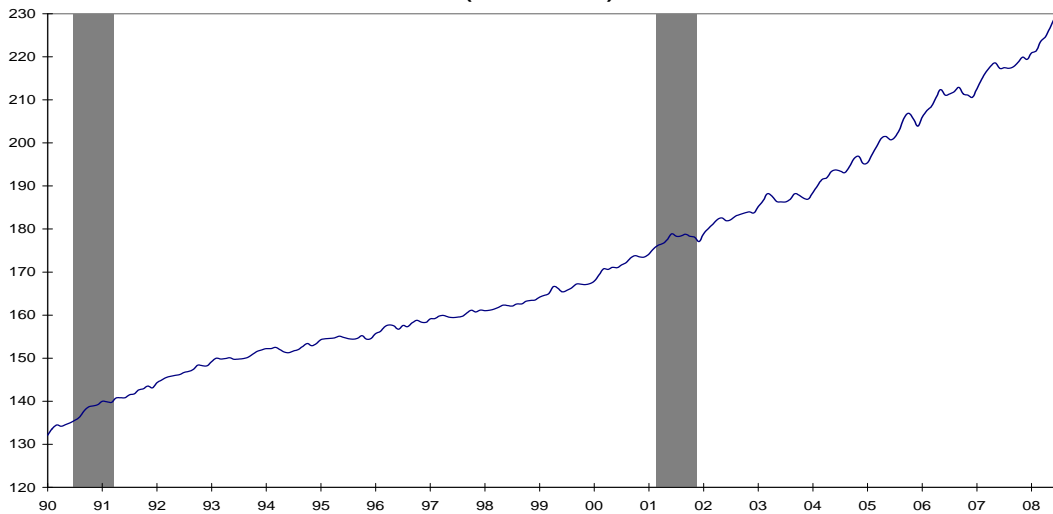
**INITIAL AND TRANSITIONAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average, Seasonally Adjusted)**



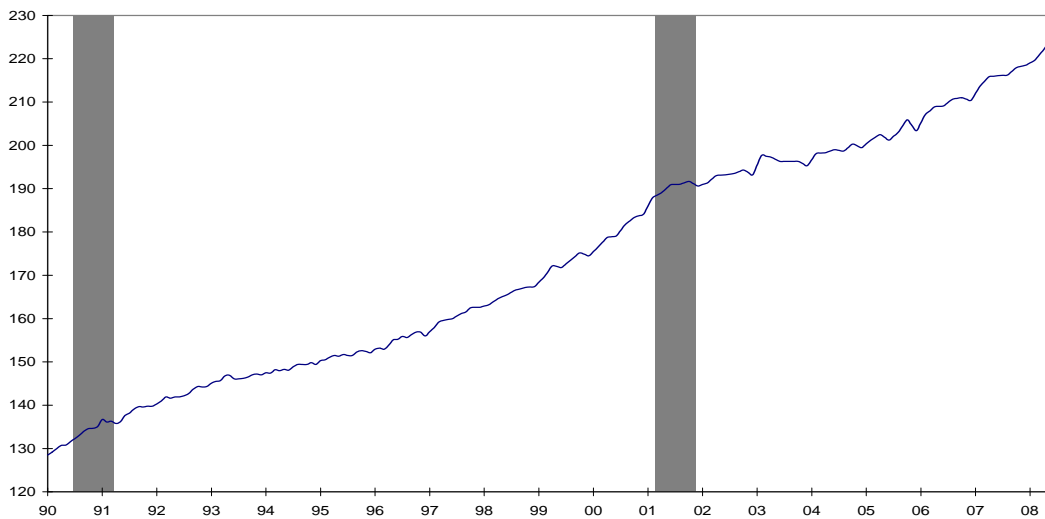
**UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)**



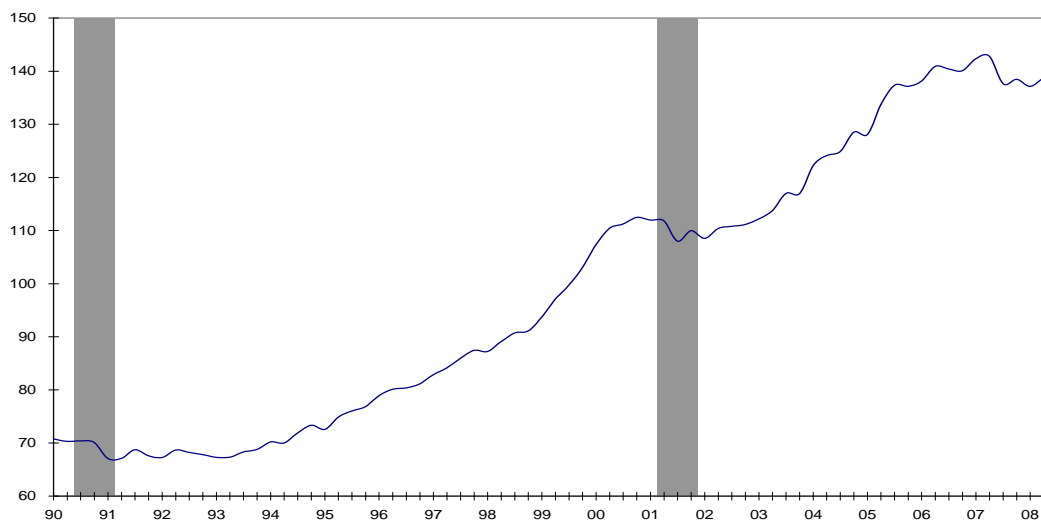
**CONSUMER PRICE INDEX, LOS ANGELES
(1982-84=100)**



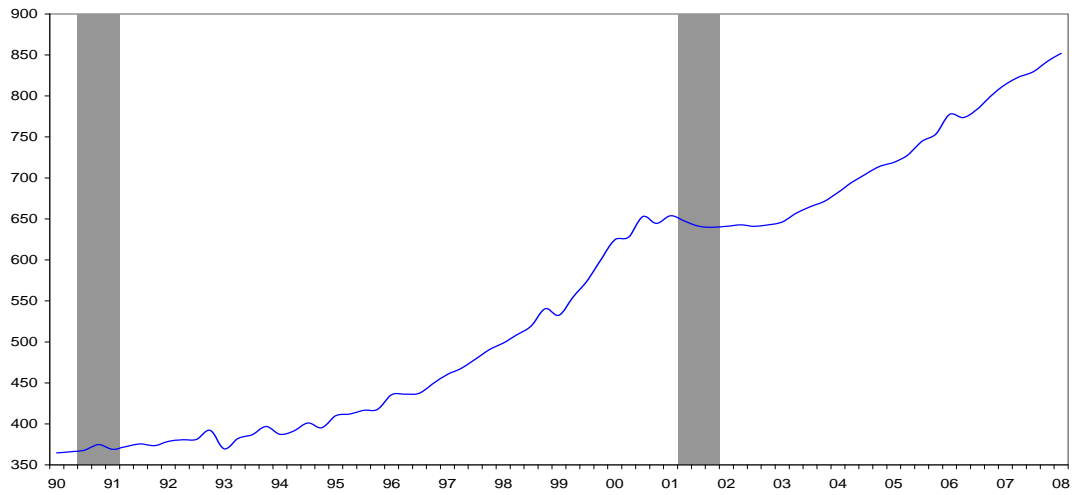
**CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84=100)**



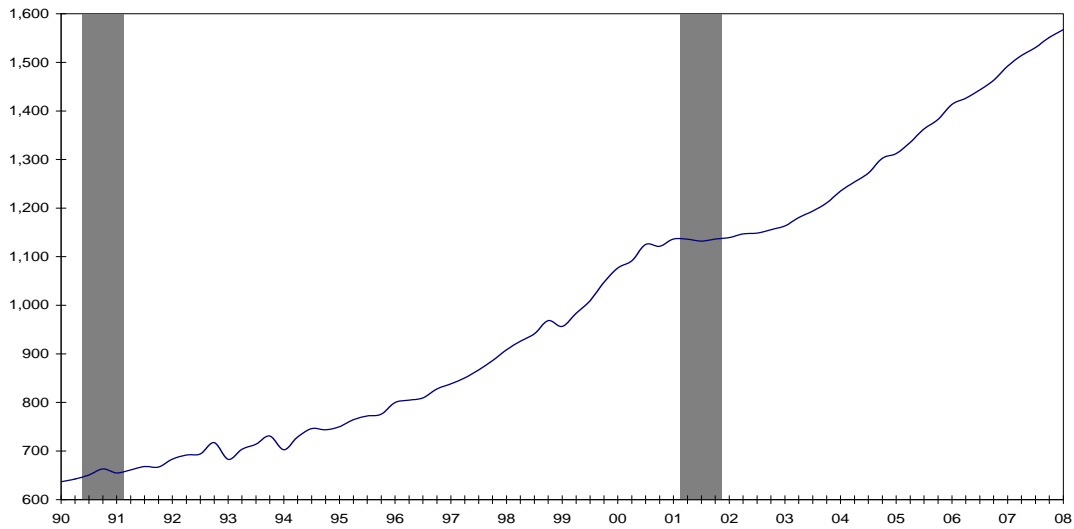
**TAXABLE SALES
(\$ Billions, Seasonally Adjusted)**



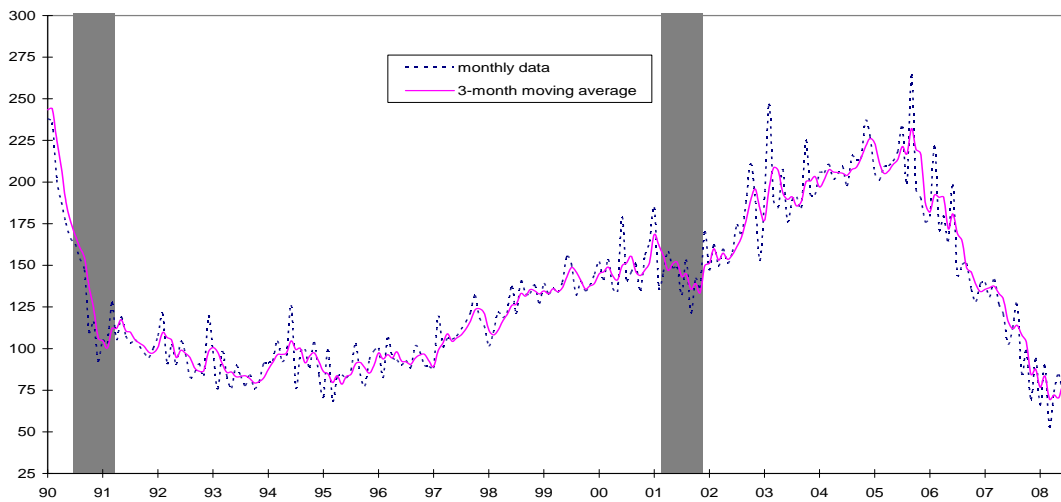
TOTAL WAGES AND SALARIES
(\$ Billions, Seasonally Adjusted)



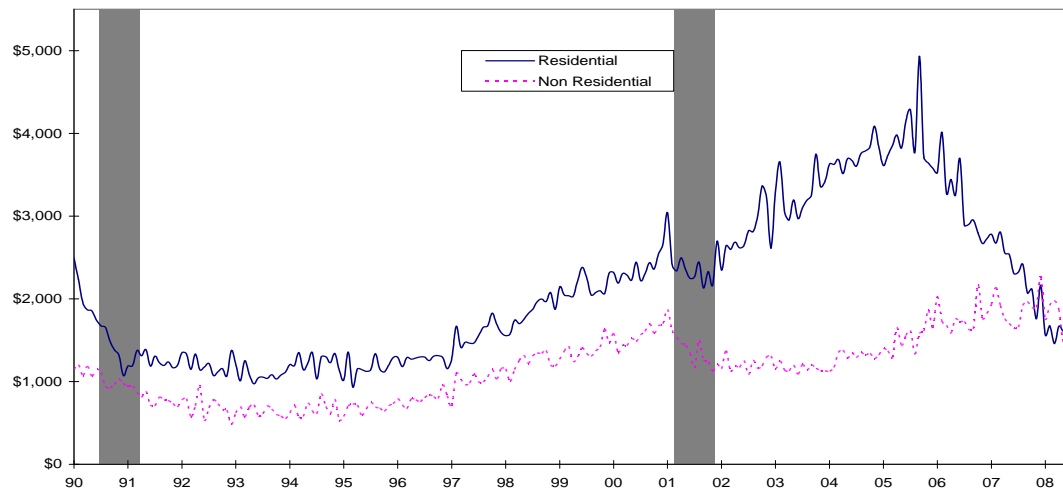
PERSONAL INCOME
(\$ Billions, Seasonally Adjusted)



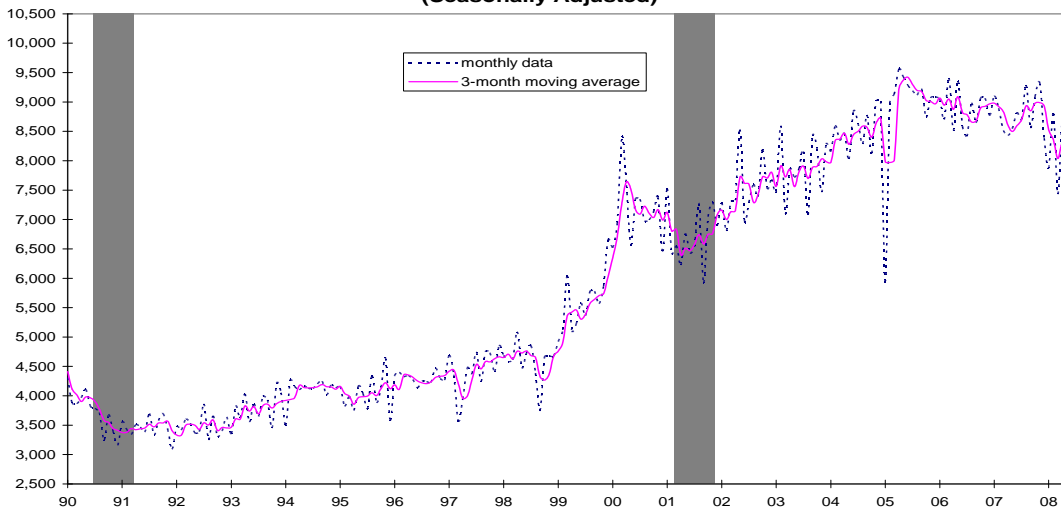
NEW HOUSING UNITS AUTHORIZED BY BUILDING PERMITS
(Thousands, Seasonally Adjusted At Annual Rate)



RESIDENTIAL AND NONRESIDENTIAL BUILDING PERMIT VALUATION
(Dollars In Millions, Seasonally Adjusted At Annual Rate)



NEW BUSINESS INCORPORATIONS
(Seasonally Adjusted)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included.

---2007---

January 1	California minimum wage increased to \$7.50 per hour from \$6.75.
January 11	Vietnam becomes WTO member.
Mid-January	Freezing temperatures in California caused some \$1.3 billion in crop losses.
January 25-26	Sales of both new and existing homes in the U.S. suffered sharp declines last year. The plunge in new home sales was the biggest drop since 1990 and sales of existing homes saw its biggest decline since 1989.
February	Crippling winter storms blanketed large swaths of the Midwest and Northeast with snow, ice and freezing rain.
February 21	Rising default rates hitting subprime mortgage industry hard.
February 27	Dow Jones industrial average down 416 points, biggest one-day point loss since 2001, after declining markets in China and Europe and a steep drop in durable goods orders triggered a massive sell-off on Wall Street.
February 28	GDP grew at a 2.2 percent pace in the 4 th quarter –a considerably weaker rate than what the government first estimated.
March 2	The latest benchmark revision to the California labor market statistics shows nonfarm payroll employment growth was considerably stronger than what was first estimated.
March 14	President Bush issues a disaster declaration for California counties hurt by the January deep freeze.
March 29	Fourth quarter GDP revised upwards to 2.5 percent.
April 16	The number of default notices sent to California homeowners last quarter increased to its highest level in almost ten years, the result of flat appreciation, slow sales, and post teaser-rate mortgage resets.
April 25	Dow Jones Industrials close above 13,000 for the first time.
April 27	First quarter GDP increased at an annual rate of 1.3 percent.
May 3	S&P 500 closed above 1,500 for the first time in more than six years. Dow Jones Industrials surged to a record high for the sixth time in seven sessions.

May 4	US payroll job growth slowest since 2004. The Dow Jones industrial average hit another record high making this the longest bull run in 80 years.
May 31	First quarter GDP increased at an annual rate of 0.6 percent. That's down from its initial estimate of 1.3 percent growth.
July 24	Federal minimum wage increased to \$5.85 from \$5.15 per hour.
July 26	The Dow Jones industrial average dropped 311.50 points or 2.3 percent amid concerns about housing and credit markets.
August 2	Mattel says it is recalling 1.5 million Chinese-made toys worldwide marking the latest in a string of recalls that have fueled U.S.-China tensions over the safety of Chinese products.
August 9	The Dow Jones industrial average was down 387.18 points or 2.8 percent as worries about the global credit market sparked a broad sell-off in stocks.
August 10	The Federal Reserve injected \$38 billion into the banking system in an effort to provide liquidity as needed to keep financial markets operating normally.
August 17	The Federal Reserve, reacting to concerns about the subprime lending crisis, cut its discount rate half a percentage point to 5.75 percent.
August 23	Bank of America invests \$2 billion in Countrywide Financial Corporation, helping the nation's largest mortgage lender shore up its finances as it struggles with a liquidity crunch.
August 24	California Governor Arnold Schwarzenegger signs the 2007-08 state budget bill.
August 28	The Dow Jones industrial average closed down 280.28 points or 2.1 percent as investors were hit by fresh worries over declining consumer confidence, falling home prices, shrinking profits on Wall Street and uncertainty about the Federal Reserve.
August 30	Second quarter GDP increased at an annual rate of 4 percent. That's up from its initial estimate of 3.4 percent growth.
September 10	Blasts rip Mexico gas and oil pipelines.
September 18	Federal funds rate target reduced from 5.25 percent to 4.75 percent. Discount rate cut from 5.75 percent to 5.25 percent.
September 27	Second quarter GDP increased at an annual rate of 3.8 percent. That's down from its preliminary estimate of 4 percent.
October 21-26	Southern California wildfires.
October 31	Federal funds rate target reduced from 4.75 percent to 4.50 percent. Discount rate cut from 5.25 percent to 5 percent.
November 1	The Federal Reserve injects \$41 billion in temporary reserves into the US money markets.

November 5-	Members of the Writers Guild of America strike
November 12	Citigroup, Bank of America, and JPMorganChase agree to a \$75 billion superfund to restore confidence to credit markets.
November 15	US House of Representatives passes the Mortgage Reform and Anti-Predatory Lending Act of 2007.
December 6	President Bush announces a plan to voluntarily and temporarily freeze the mortgage rates of a limited number of mortgage debtors holding adjustable rate mortgages.
December 11	Federal funds rate target reduced from 4.50 percent to 4.25 percent. Discount rate cut from 5 percent to 4.75 percent.
December 12	The Federal Reserve injects \$40B into the money supply and coordinates such efforts with central banks from Canada, United Kingdom, Switzerland and European Union.
December 18	The Federal Reserve approves measures to give mortgage holders more protection to prevent the current housing crisis from worsening further.
December 20	Third quarter GDP increased at an annual rate of 4.9 percent.
December 21	In California, sales of new and existing houses and condos were down 39 percent from a year ago in November. Sales have declined in the last 26 months on a year-over-year basis. The median price paid for a home was down 2.4 percent from the prior month and down 11.9 percent from a year ago. Financing with adjustable-rate mortgages and with multiple mortgages have dropped sharply. Foreclosure activity is at record levels.
December	Banks, mortgage lenders, real estate investment trusts, and hedge funds continue to suffer significant losses as a result of mortgage payment defaults and mortgage asset devaluation.

---2008---

January 1	California minimum wage increased to \$8.00 per hour from \$7.50.
January 11	Bank of America agrees to purchase Countrywide Financial.
January 14	Fitch assigns Negative Rating Watch to State of California.
January 21-22	Global stock markets plunge.
January 22	Federal funds rate target reduced from 4.25 percent to 3.5 percent, the biggest one-day interest rate reduction on record.
January 30	Federal funds rate target reduced from 3.5 percent to 3 percent.
February 12	Hollywood writers strike ends.
February 19	Crude oil price tops \$100 a barrel.
March 13	Gold futures hit \$1000 an ounce for the first time. Crude oil price tops \$110 a barrel. Gas prices rise to another record high.

March 16	JPMorgan agrees to buy Bear Stearns for a mere fraction of what it was once worth.
March 17	The Fed expanded the range of programs to boost financial market liquidity and cut the discount rate by 25 basis points, to 3.25 percent
March 18	Federal funds rate target reduced from 3 percent to 2.25 percent.
March 27	Fourth quarter GDP increased at an annual rate of 0.6 percent, compared with 4.9 percent in the third quarter.
April 15	Retail chains caught in a wave of bankruptcies.
April 16	Consumer prices, over the past 12 months, is up by 4 percent, reflecting sharp gains in energy costs, which are up 17 percent over that period, and food prices, which are up 4.4 percent.
April 30	Federal funds rate target reduced from 2.25 percent to 2 percent. First quarter GDP increased at an annual rate of 0.6 percent.
July 6	Extended unemployment insurance benefits begin.
July 11	IndyMac Bank seized by federal regulators.
July 30	President Bush signs housing rescue law.
August 8	Georgia-Russia conflict escalates.
August 28	Second quarter GDP increased at an annual rate of 3.3 percent.
September 1	Hurricane Gustav strikes land west of New Orleans.
September 7	The U.S. government takes over Fannie Mae and Freddie Mac.
September 13	Hurricane Ike hits Texas.
September 14	Merrill Lynch sold to Bank of America.
September 15	Lehman Brothers files for bankruptcy protection.
September 17	The Federal Reserve loans \$85 billion to American International Group (AIG).
September 19	Treasury to provide temporary guarantees for money market mutual funds.
September 23	Governor Schwarzenegger signs record-late state budget.
September 25	Washington Mutual was seized by the FDIC, and its banking assets were sold to JP MorganChase.
September 26	Second quarter GDP increased at an annual rate of 2.8 percent.
September 29	Citigroup buys banking operations of Wachovia.
October 1	Financial crisis spreads to Europe.

October 3	The Emergency Economic Stabilization Act (commonly referred to as a bailout of the U.S. financial system) became law. Wells Fargo to merge with Wachovia.
October 6 - 10	Worst week for the stock market in 75 years.
October 6	Fed provides \$900 billion in short-term cash loans to banks.
October 7 companies.	Fed makes emergency move to lend around \$1.3 trillion directly to
October 8	Federal funds rate target reduced from 2 percent to 1.5 percent. The discount rate was cut to 1.75 percent.
October 11	The Dow Jones Industrial Average caps its worst week ever with its highest volatility day ever recorded in its 112 year history.
October 12	European leaders announce recapitalization plans for Europe's banks.
October 24	OPEC to cut oil output by 1.5 million barrels a day.
October 29	Federal funds rate target reduced from 1.5 percent to 1 percent.
October 30	Third quarter GDP declines 0.3 percent.